

Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements

Department of the Treasury
P.O. Box 2508
Cincinnati, Ohio 45201

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Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

Phone
Fax

UIL 4945.04-04

LEGEND

B=
C=
G=
H=

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated July 22, 2008.

Our records indicate that B was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that B will operate a grant-making program to benefit students from low-income families who would otherwise continue their education in public schools that have limited resources. Grants will be in the form of scholarships for the chosen students to attend highly regarded private boarding schools. Each boarding school will be chosen by B based on the school's academic reputation and geographic proximity to the student's family residence.

Grants will be paid directly to the private schools and will cover the full cost of tuition, room and board, and all incidental expenses of attendance for up to four years. No grant has yet been made, though B is in the final stages of process for a grant to a student at G, a public school located in a very low income, largely minority neighborhood. Future grants to additional students will be dependent on the success of the initial grant,

the financial resources available to B, and other opportunities for contributions consistent with B's exempt purpose.

Potential recipients will be identified through the recommendation of teachers and school administrators. The principal criteria for selection of the grantee will be academic achievement and demonstration of capacity to benefit from a first rate education.

Selection of recipients will be made by C, a family member of B's trustees. C is a teacher at G and is a member of the corps of teachers of H, a publicly-supported section 501(c)(3) organization that operates a prominent program of recruiting outstanding recent college graduates to serve for two years teaching in underserved urban and rural public schools at the primary or secondary education level. Other active or former members of H may be designated by B to make selection decisions. Selection decisions, whether by C or others, will be made in consultation with other members of H's program and with other school faculty. All selections are subject to the approval of B's board.

Grantees may be selected from students enrolled at G or from any other school in the nation served by H's program. No disqualified person as described in section 4946 will be eligible for a grant.

B will receive and review reports from the boarding school to assure that funds are used for their intended purpose. Should any misuse be discovered, B will take all steps necessary to recover the funds and will grant no further funds for use by the institution involved.

B will maintain reasonable records relating to the evaluation and selection of grantees, identification of whether a grantee is a disqualified person, and documentation of actions taken in cases of misused grant funds.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or

- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
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